



**HAMILTON COMMUNITY SCHOOLS**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2008**



**REHMANN ROBSON**

*Certified Public Accountants*

# HAMILTON COMMUNITY SCHOOLS

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**HAMILTON COMMUNITY SCHOOLS  
ADMINISTRATIVE PERSONNEL  
FOR THE YEAR ENDED JUNE 30, 2008**

**SCHOOL BOARD MEMBERS**

JoAnn DeJonge	President
Ron Eding	Vice-President
Beth Zoet	Secretary
Gord Poll	Treasurer
Rick Kooiker	Trustee
Ralph Pax	Trustee
Steve Spaman	Trustee

**SUPERINTENDENT**

James Kos

**BUSINESS MANAGER**

Steve Aardema

**PRINCIPALS**

Douglas Braschler	High School
Scott Smith	Middle School
Barb Ferguson	Elementary School
Tim Lyman	Elementary School
Rolfe Timmerman	Elementary School
Dan Scoville	Elementary School



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

## INDEPENDENT AUDITORS' REPORT

October 2, 2008

Board of Education  
Hamilton Community Schools  
Hamilton, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of **Hamilton Community Schools** (the "District"), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hamilton Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Hamilton Community Schools as of June 30, 2008, and the respective changes in financial position, where applicable, thereof and the budgetary comparison of the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated October 2, 2008, on our consideration of Hamilton Community Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hamilton Community Schools' basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of Hamilton Community Schools' basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, stylized 'L' at the beginning.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of Hamilton Community Schools, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008.

### Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$22,946,222 (*net assets*). Of this amount, \$9,514,590 (*unrestricted net assets*) may be used to meet the District's ongoing obligations for general district programs.
- The District's total net assets increased by \$1,991,844.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$10,598,415, a decrease of \$2,133,424 in comparison with the prior year.
- At the end of the current fiscal year, unreserved undesignated fund balance for the general fund was \$8,260,480 or 37% percent of total general fund expenditures and transfers out.
- Investments for the future were made by spending \$269,784 on school improvements, vehicles and equipment.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements including management discussion and analysis, budgetary schedules, and combining statements for non-major and fiduciary funds.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated leave).

Both of the government-wide financial statements display functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The activities of the District include instruction, supporting services, community services, food services, athletics and other services. The District has no business-type activities as of and for the year ended June 30, 2008.

The government-wide financial statements can be found on pages 10-11 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District fall within the governmental and fiduciary fund type category.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains six individual governmental funds, one trust fund, and two agency funds reported in combination in these financial statements. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and debt service fund, which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. These funds include two capital projects funds, a food service special revenue fund, and an athletics special revenue fund. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general, debt, and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with the general and special revenue fund budgets.

The governmental fund financial statements can be found on pages 12-16 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Hamilton Community Schools' own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 17-18 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-32 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 33-46 of this report.

## **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$22,946,222 at the close of the most recent fiscal year. The timing of debt service payments and depreciation expense of capital assets has a significant impact on this balance.



A portion of the District's net assets reflect investment in capital assets net of related debt (e.g., land, buildings, vehicles, and equipment, less any related debt used to acquire those assets that is still outstanding). In the current year, this amount is \$12,958,539 or 56% of total net assets. The District uses these capital assets to provide services to the students it serves; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### Hamilton Community Schools' Net Assets

	<u>2007</u>	<u>2008</u>
Current and other assets	\$ 15,072,771	\$ 13,118,318
Capital assets, net	38,140,018	37,114,788
Total assets	<u>53,212,789</u>	<u>50,233,106</u>
Current liabilities	2,331,947	2,345,626
Long-term liabilities outstanding	29,926,464	24,941,258
Total liabilities	<u>32,258,411</u>	<u>27,286,884</u>
Net assets:		
Invested in capital assets, net of related debt	9,005,018	12,958,539
Restricted	1,919,610	473,093
Unrestricted	10,029,750	9,514,590
<b>Total net assets</b>	<b><u>\$ 20,954,378</u></b>	<b><u>\$ 22,946,222</u></b>

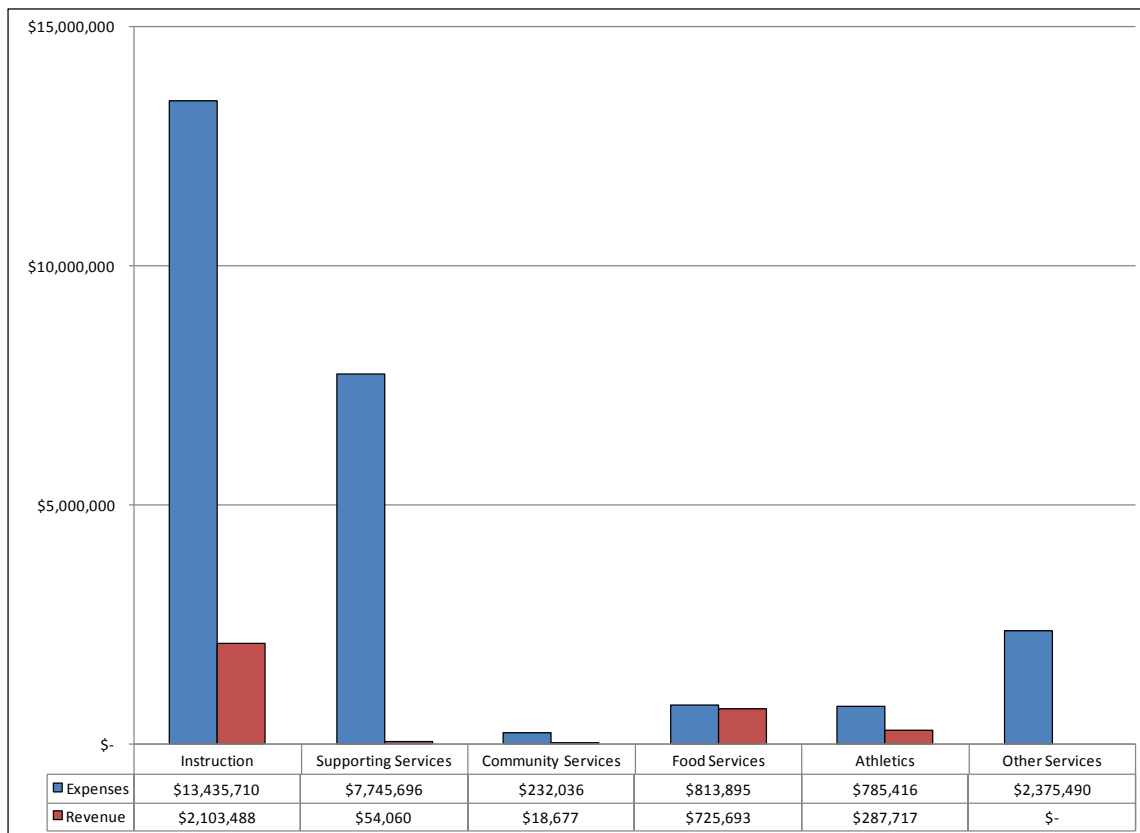
An additional portion of the District's net assets represents resources that are subject to other external restrictions on how they may be used. The remaining balance of *unrestricted net assets* may be used to meet the District's ongoing obligations to its general programs.

### Hamilton Community Schools' Changes in Net Assets

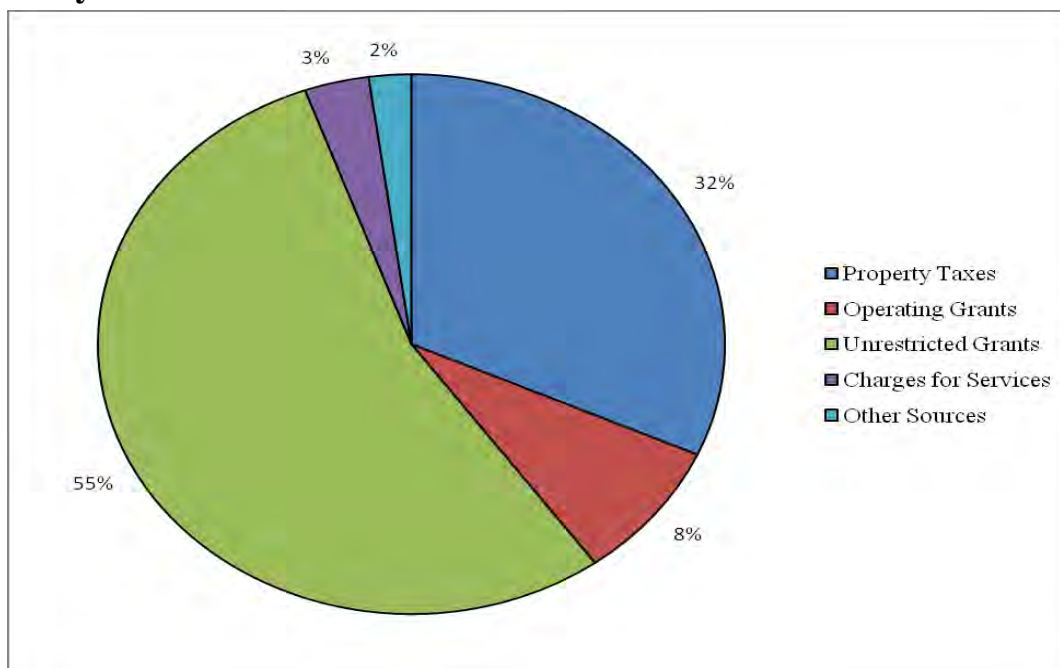
	<u>2007</u>	<u>2008</u>
<b>Program revenue</b>		
Charges for services	\$ 910,500	\$ 909,985
Operating grants and contributions	2,003,811	2,279,650
<b>General revenue</b>		
Property taxes - operations	4,006,813	4,132,142
Property taxes - debt service	4,323,780	4,552,825
Grants and contributions not restricted to specific programs	14,940,313	14,906,920
Unrestricted investment earnings	586,664	598,565
<b>Total revenue</b>	<b><u>26,771,881</u></b>	<b><u>27,380,087</u></b>
<b>Expenses</b>		
Instruction	12,735,002	13,435,710
Supporting services	7,401,515	7,745,696
Community services	179,278	232,036
Food services	766,755	813,895
Athletics	699,608	785,416
Depreciation - unallocated	1,302,544	1,280,614
Interest on long-term debt	1,474,211	1,094,876
<b>Total expenses</b>	<b><u>24,558,913</u></b>	<b><u>25,388,243</u></b>
<b>Increase in net assets</b>	<b><u>2,212,968</u></b>	<b><u>1,991,844</u></b>
Net assets, beginning of year	18,741,410	20,954,378
<b>Net assets, end of year</b>	<b><u>\$ 20,954,378</u></b>	<b><u>\$ 22,946,222</u></b>

**Governmental activities.** Net assets increased by \$1,991,844. Key elements of this increase are as follows (the graph below, Expenses and Program Revenues – Government-wide, does not include general revenues of approximately \$24.2 million, which are not allocated to a specific function):

## Expenses and Program Revenues – Government-wide



## Revenues by Source – Government-wide



## Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved undesignated fund balance of the general fund was \$8,260,480, while the total fund balance was \$9,860,972. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved undesignated fund balance and total fund balance represent 37 and 44 percent, respectively, of total general fund expenditures and transfers out.

The total fund balance of the District's general fund decreased by \$631,507 during the current fiscal year. The largest revenue source in this fund is state revenue which includes primarily state aid. Expenditures consist primarily of costs associated with instruction and related supporting activities.

The debt service fund has a total fund balance of \$460,420, which decreased by \$1,501,610 during the year due to payments made in connection with the issuance of refunding bonds.

## General Fund Budgetary Highlights

Differences between the original and final amended budgets were caused by revenue that was adjusted throughout the year as actual enrollments replaced projections, grants were approved at new levels, and adjustments in state aid were made – particularly for prior year tax judgements. Expenditures are adjusted for changes in staffing (staffing levels, compensation based on additional education, and benefits based on changes in family status.) Other expenditures were revised based on year-to-date spending, approved grant levels, and transfers within school/departmental budgets.

## Capital Asset and Debt Administration

**Capital assets** – The District's investment in capital assets for its governmental activities as of June 30, 2008 amounted to \$37,114,788 (net of accumulated depreciation). This investment in capital assets included land, buildings, vehicles and equipment.

Capital assets at fiscal year end included the following:

### Hamilton Community Schools' Capital Assets (net of depreciation) June 30, 2008

	<b>2007</b>	<b>2008</b>
Land	\$ 1,255,880	\$ 1,255,880
Buildings and improvements	35,334,317	34,376,815
Furniture and equipment	797,617	724,107
Vehicles	560,035	574,172
Infrastructure	192,169	183,814
<b>Total</b>	<b>\$ 38,140,018</b>	<b>\$ 37,114,788</b>

Additional information on the District's capital assets can be found in Note 6 on pages 28 and 29 of this report.

**Long-term debt.** At the end of the current fiscal year, the District had total long-term debt outstanding of \$24,941,258. The District's total debt decreased by \$4,985,206 during the current fiscal year. Additional information on the District's long-term debt can be found in Note 9 on pages 30 and 31 of this report.

### **Factors Bearing on the District's Future**

The following factors were considered in preparing the District's budget for the 2008-09 fiscal year:

- A flat enrollment pupil count was used as a balance between the past growth trend and the state's economic and job loss situation.
- A state foundation grant of \$7,300 per student was projected based on a blend of state executive and legislative proposals.
- Federal revenue and expenditures projections were done on a grant-by-grant basis at 2007-08 levels without any indications of funding changes.
- Wage and insurance costs were budgeted to known levels in the cases of health insurance and employee groups with settled wage levels. Costs for other insurances and the teacher's association wages were estimated on the basis of other area settlements.

### **Requests for Information**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Business Manager  
Hamilton Community Schools  
4815 - 136<sup>th</sup> Avenue  
Hamilton, MI 49419  
(269) 751-5148

## **BASIC FINANCIAL STATEMENTS**

# HAMILTON COMMUNITY SCHOOLS

## Statement of Net Assets

June 30, 2008

	<b><u>Governmental Activities</u></b>
<b>Assets</b>	
Current assets:	
Cash and investments	\$ 9,493,555
Receivables:	
Accounts	1,823
Interest	64,020
Due from other governments	3,150,929
Inventory	20,166
Prepaid items	107,396
Total current assets	<u>12,837,889</u>
Noncurrent assets:	
Capital assets not being depreciated	1,255,880
Capital assets being depreciated, net	35,858,908
Unamortized bond issuance costs	280,429
Total noncurrent assets	<u>37,395,217</u>
Total assets	<u>50,233,106</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	101,739
Accrued expenses	2,217,448
Unearned revenue	26,439
Current portion of long-term debt	3,561,159
Total current liabilities	<u>5,906,785</u>
Noncurrent liabilities:	
Long-term severance benefits	702,827
Noncurrent portion of long-term debt	20,677,272
Total noncurrent liabilities	<u>21,380,099</u>
Total liabilities	<u>27,286,884</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	12,958,539
Restricted for debt service	272,086
Restricted for capital projects	201,007
Unrestricted	9,514,590
Total net assets	<u>\$ 22,946,222</u>

The accompanying notes are an integral part of these financial statements.

# HAMILTON COMMUNITY SCHOOLS

## Statement of Activities For the Year Ended June 30, 2008

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue/Change in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction	\$ 13,435,710	\$ 49,142	\$ 2,054,346	\$ (11,332,222)
Supporting services	7,745,696	36,091	17,969	(7,691,636)
Community services	232,036	18,677	-	(213,359)
Food services	813,895	518,458	207,235	(88,202)
Athletics	785,416	287,617	100	(497,699)
Depreciation - unallocated	1,280,614	-	-	(1,280,614)
Interest on long-term debt	<u>1,094,876</u>	<u>-</u>	<u>-</u>	<u>(1,094,876)</u>
Total governmental activities	<u>\$ 25,388,243</u>	<u>\$ 909,985</u>	<u>\$ 2,279,650</u>	<u>(22,198,608)</u>
General revenues:				
Property taxes - operations				4,132,142
Property taxes - debt service				4,552,825
Grants and contributions not restricted to specific programs				14,906,920
Unrestricted investment earnings				<u>598,565</u>
Total general revenues				<u>24,190,452</u>
Change in net assets				1,991,844
Net assets, beginning of year				<u>20,954,378</u>
Net assets, end of year				<u>\$ 22,946,222</u>

The accompanying notes are an integral part of these financial statements.



# HAMILTON COMMUNITY SCHOOLS

## Balance Sheet Governmental Funds June 30, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Assets</b>				
Cash and investments	\$ 8,760,986	\$ 459,678	\$ 272,891	\$ 9,493,555
Receivables:				
Accounts	-	-	1,823	1,823
Interest	62,535	742	743	64,020
Due from other governments	3,064,031	82,182	4,716	3,150,929
Due from other funds	-	-	8,000	8,000
Inventory	-	-	20,166	20,166
Prepaid items	104,548	-	2,848	107,396
	<u>104,548</u>	<u>-</u>	<u>2,848</u>	<u>107,396</u>
 <b>Total assets</b>	 <u>\$ 11,992,100</u>	 <u>\$ 542,602</u>	 <u>\$ 311,187</u>	 <u>\$ 12,845,889</u>
<b>Liabilities</b>				
Accounts payable	\$ 94,296	\$ -	\$ 7,443	\$ 101,739
Accrued liabilities	2,028,832	-	282	2,029,114
Due to other funds	8,000	-	-	8,000
Deferred revenue	-	82,182	26,439	108,621
	<u>-</u>	<u>82,182</u>	<u>26,439</u>	<u>108,621</u>
 <b>Total liabilities</b>	 <u>2,131,128</u>	 <u>82,182</u>	 <u>34,164</u>	 <u>2,247,474</u>
<b>Fund balance</b>				
Reserved for:				
Inventory	-	-	10,983	10,983
Prepaid items	104,548	-	2,848	107,396
Unreserved:				
Designated for equipment/maintenance	793,117	-	-	793,117
Designated for severance benefits	702,827	-	-	702,827
Undesignated reported in nonmajor:				
Special revenue funds	-	-	62,185	62,185
Capital projects funds	-	-	201,007	201,007
Undesignated	8,260,480	460,420	-	8,720,900
	<u>8,260,480</u>	<u>460,420</u>	<u>-</u>	<u>8,720,900</u>
 <b>Total fund balance</b>	 <u>9,860,972</u>	 <u>460,420</u>	 <u>277,023</u>	 <u>10,598,415</u>
 <b>Total liabilities and fund balance</b>	 <u>\$ 11,992,100</u>	 <u>\$ 542,602</u>	 <u>\$ 311,187</u>	 <u>\$ 12,845,889</u>

The accompanying notes are an integral part of these financial statements.

**HAMILTON COMMUNITY SCHOOLS**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**June 30, 2008**

Fund balances - total governmental funds	\$ 10,598,415
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Amounts reported for governmental activities in the statement of net assets are different because:

Long-term receivables are reported as an asset and revenue when earned on the statement of net assets while the governmental funds report these balances as an asset and deferred revenue until the availability criteria for revenue recognition is met.

Add - deferred long-term receivables	82,182
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets not being depreciated	1,255,880
Add - capital assets being depreciated, net	35,858,908

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds payable	(24,457,184)
Add - unamortized bond issuance costs	280,429
Add - unamortized loss on refunding (see footnote 9)	929,621
Deduct - unamortized bond premium	(710,868)
Deduct - accrued interest on bonds payable	(188,334)
Deduct - severance benefits	(702,827)

Net assets of governmental activities	\$ 22,946,222
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The accompanying notes are an integral part of these financial statements.

# HAMILTON COMMUNITY SCHOOLS

## Statement of Revenue, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2008

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
<b>Revenue</b>				
Local sources	\$ 6,087,455	\$ 4,657,592	\$ 820,939	\$ 11,565,986
State sources	14,900,900	-	26,071	14,926,971
Federal sources	709,409	-	203,642	913,051
	<u>21,697,764</u>	<u>4,657,592</u>	<u>1,050,652</u>	<u>27,406,008</u>
<b>Expenditures</b>				
Current:				
Instruction	13,173,008	-	-	13,173,008
Supporting services	7,584,205	-	-	7,584,205
Community services	217,358	-	-	217,358
Food services	-	-	796,099	796,099
Athletics	-	-	758,776	758,776
Debt service:				
Principal	-	1,820,000	-	1,820,000
Interest	-	1,119,203	-	1,119,203
Bond issuance costs	-	150,886	-	150,886
Paying agent fees	-	525	-	525
Taxes abated and written off	-	5,870	-	5,870
Capital outlay	839,065	-	13,719	852,784
	<u>21,813,636</u>	<u>3,096,484</u>	<u>1,568,594</u>	<u>26,478,714</u>
Total expenditures	<u>21,813,636</u>	<u>3,096,484</u>	<u>1,568,594</u>	<u>26,478,714</u>
Revenue over (under) expenditures	<u>(115,872)</u>	<u>1,561,108</u>	<u>(517,942)</u>	<u>927,294</u>
<b>Other financing sources (uses)</b>				
Proceeds on sale of capital assets	2,000	-	-	2,000
Issuance of refunding bonds	-	8,985,000	-	8,985,000
Premium on refunding bonds	-	153,592	-	153,592
Payment to refunding bond escrow agent	-	(12,201,310)	-	(12,201,310)
Transfers in	-	-	517,635	517,635
Transfers out	(517,635)	-	-	(517,635)
	<u>(515,635)</u>	<u>(3,062,718)</u>	<u>517,635</u>	<u>(3,060,718)</u>
Total other financing sources (uses)	<u>(515,635)</u>	<u>(3,062,718)</u>	<u>517,635</u>	<u>(3,060,718)</u>
Net changes in fund balances	(631,507)	(1,501,610)	(307)	(2,133,424)
Fund balances, beginning of year	10,492,479	1,962,030	277,330	12,731,839
<b>Fund balances, end of year</b>	<u>\$ 9,860,972</u>	<u>\$ 460,420</u>	<u>\$ 277,023</u>	<u>\$ 10,598,415</u>

The accompanying notes are an integral part of these financial statements.

**HAMILTON COMMUNITY SCHOOLS**  
**Reconciliation of the Statement of Revenue, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2008**

Net change in fund balances - total governmental funds	\$(2,133,424)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Long-term receivables are reported as revenue when earned on the statement of activities while the governmental funds report these balances as revenue when the availability criteria for revenue recognition is met.

Deduct - change in deferred revenue on long-term receivable	(20,051)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	269,784
Deduct - depreciation expense	(1,280,614)
Deduct - proceeds on sale of capital assets	(2,000)
Deduct - loss on sale of capital assets	(12,400)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but a reduction in long-term debt on the statement of net assets.

Add - principal payments on long-term debt	1,820,000
Deduct - issuance of long-term liabilities	(8,985,000)
Add - payment to refunding bond escrow agent	12,201,310

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - decrease in accrued interest payable on bonds	47,409
Add - bond issuance costs capitalized	150,886
Deduct - bond premium capitalized	(153,592)
Deduct - amortization of bond issuance costs, loss on refunding, and premium	(22,557)
Add - decrease in the accrual for severance benefits	112,093

Change in net assets of governmental activities	<u><u>\$ 1,991,844</u></u>
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The accompanying notes are an integral part of these financial statements.

**HAMILTON COMMUNITY SCHOOLS**  
**General Fund**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2008**  
**With Comparative Totals for the Year Ended June 30, 2007**

	<b>Budget</b>			<b>Variance</b>	
	<b>Original</b>	<b>Amended</b>	<b>Actual</b>	<b>With Final Budget</b>	<b>2007 Actual</b>
<b>Revenue</b>					
Local sources	\$ 5,865,700	\$ 6,107,300	\$ 6,087,455	\$ (19,845)	\$ 5,687,914
State sources	14,527,700	14,868,200	14,900,900	32,700	14,936,273
Federal sources	670,100	729,500	709,409	(20,091)	675,517
Total revenue	21,063,500	21,705,000	21,697,764	(7,236)	21,299,704
<b>Expenditures</b>					
Instructional:					
Basic programs	11,484,236	11,715,144	11,531,695	(183,449)	11,020,865
Added needs	1,646,100	1,717,900	1,641,313	(76,587)	1,511,603
Total instructional	13,130,336	13,433,044	13,173,008	(260,036)	12,532,468
Supporting services:					
Pupil services	1,066,100	1,090,300	1,011,150	(79,150)	980,220
Improvement of instruction	835,900	832,300	725,909	(106,391)	685,546
Executive administration	312,900	349,700	375,335	25,635	272,056
School administration	1,420,300	1,466,400	1,414,612	(51,788)	1,457,165
Other pupil services	530,100	419,800	363,867	(55,933)	471,749
Operation and maintenance	2,512,983	2,286,083	2,184,041	(102,042)	2,137,000
Transportation services	1,421,000	1,476,600	1,436,083	(40,517)	1,283,530
District support	99,400	83,900	73,208	(10,692)	84,411
Total supporting services	8,198,683	8,005,083	7,584,205	(420,878)	7,371,677
Community services:					
District pool	215,800	230,800	217,358	(13,442)	179,278
Capital outlay	759,800	973,200	839,065	(134,135)	408,968
Total expenditures	22,304,619	22,642,127	21,813,636	(828,491)	20,492,391
Revenue over (under) expenditures	(1,241,119)	(937,127)	(115,872)	821,255	807,313
<b>Other financing sources (uses)</b>					
Proceeds on sale of equipment	-	-	2,000	2,000	21,763
Transfers in	-	-	-	-	1,601,557
Transfers out	(490,100)	(495,300)	(517,635)	(22,335)	(456,983)
Total other financing sources (uses)	(490,100)	(495,300)	(515,635)	(20,335)	1,166,337
Net changes in fund balance	(1,731,219)	(1,432,427)	(631,507)	800,920	1,973,650
Fund balance, beginning of year	10,492,479	10,492,479	10,492,479	-	8,518,829
<b>Fund balance, end of year</b>	<b>\$ 8,761,260</b>	<b>\$ 9,060,052</b>	<b>\$ 9,860,972</b>	<b>\$ 800,920</b>	<b>\$ 10,492,479</b>

The accompanying notes are an integral part of these financial statements.

# HAMILTON COMMUNITY SCHOOLS

## Fiduciary Funds Statement of Net Assets June 30, 2008

	<b>Private Purpose Trust Scholarships Fund</b>	<b>Agency Fund Student Activities</b>
<b>Assets</b>		
Cash and investments	\$ 55,477	\$ 55,525
Interest receivable	91	-
Inventory	-	18,203
<b>Total assets</b>	55,568	<u>\$ 73,728</u>
<b>Liabilities</b>		
Due to student groups	-	<u>\$ 73,728</u>
<b>Net assets</b>		
Unrestricted	<u>\$ 55,568</u>	

The accompanying notes are an integral part of these financial statements.

**HAMILTON COMMUNITY SCHOOLS**  
**Fiduciary Fund**  
**Statement of Changes in Net Assets**  
**For the Year Ended June 30, 2008**

	<u><b>Private Purpose Trust Dangremond Scholarship Fund</b></u>
<b>Additions</b>	
Contributions	\$ 500
Investment income	<u>2,463</u>
Total additions	2,963
<b>Deductions</b>	
Scholarships and other payments	<u>1,449</u>
Change in net assets	1,514
<b>Net assets held in trust</b>	
Beginning of year	<u>54,054</u>
End of year	<u><u>\$ 55,568</u></u>

The accompanying notes are an integral part of these financial statements.

# HAMILTON COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies of Hamilton Community Schools (the “District”) consistently applied in the preparation of the accompanying financial statements follows.

#### ***The Reporting Entity***

As required by generally accepted accounting principles, these financial statements present the reporting entity of the Hamilton Community Schools. The criteria identified in GASB Statements 14 and 39, including financial accountability, have been utilized when identifying the District reporting entity which includes no component units.

#### ***Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year ended June 30, 2008.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Major individual governmental funds are reported as separate columns in the fund financial statements.

#### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The agency fund follows the accrual basis of accounting, but does not have a measurement focus.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to severance benefits and claims and judgments, are recorded only when payment is due.



# HAMILTON COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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Property taxes, expenditure-driven grant revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the district.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund* accounts for the accumulation of resources which are restricted for the payment of principal and interest on bonds.

Additionally, the District reports the following fund types:

The *special revenue funds* account for assets which are restricted for specific purposes.

The *capital projects funds* account for the accumulation and disbursement of funds for capital projects.

The *fiduciary funds* account for resources held on the behalf of other individuals and governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, unrestricted grants, and interest income.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The effect of interfund activity has been eliminated from the government-wide financial statements.

### **Budgets and Budgetary Accounting**

The District follows these procedures in establishing the budgetary data as reflected in the financial statements.

Budgets are adopted for general and special revenue funds as required by state law and are adopted on a basis consistent with generally accepted accounting principles (GAAP). The District considers the debt service payment schedule to be an adequate budgetary control. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the Board a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.

# HAMILTON COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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4. Formal budgetary integration is employed as a management control device during the year for all governmental funds.
5. Adoption and amendments of all budgets used by the District are governed by Public Act 621, which was followed for the year ended June 30, 2008. Expenditures may not exceed appropriations at the function level. The appropriations resolutions are based on the projected expenditures budget of the department heads of the District. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

### **Encumbrances**

The District does not formally record encumbrances in the accounting records during the year as a normal practice. Appropriations lapse at year-end and amounts are reappropriated for expenditures to be incurred in the next fiscal year.

### **Property Taxes**

Property taxes are recognized as revenue in the General and Debt Service funds on a levy year basis. The 2007 levy amounts are recognized as current property tax revenue to the extent that they are collected during the year or within sixty days after year end. The County maintains a Delinquent Tax Fund which pays local units for uncollected taxes on real property. Collections of delinquent taxes on personal property in subsequent years are recognized as property tax revenues in the year collected. Property taxes are levied on July 1 and December 1 on the assessed valuation of property located in the District as of the preceding December 31, the lien date. Assessed values are established annually by the various governmental units within the District and are equalized by the State of Michigan.

### **Cash and Cash Equivalents**

The District considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents.

### **Investments**

The District investments consist of mutual funds and certificates of deposit with local and regional financial institutions as well as commercial paper and federal treasury/agency obligations. Investments are stated at fair value.

Michigan law authorizes the District to invest in:

- a. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- b. Certificates of deposits issued by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

# HAMILTON COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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- d. Securities issued or guaranteed by agencies or instrumentalities of the United States, United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- e. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

### **Receivables**

The District follows the practice of recording as receivables revenues that have been earned but not yet received.

### **Inventories**

Inventories consist of food and school store items. Inventories are stated at cost (first-in, first-out).

### **Prepaid Items**

Payments to vendors for services that will benefit periods beyond a fund's fiscal year-end are recorded as prepaid items in both government-wide and fund financial statements.

### **Capital Assets**

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<b><u>Assets</u></b>	<b><u>Years</u></b>
Buildings and improvements	20-50
Furniture and equipment	5-10
Vehicles	5-10

# HAMILTON COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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### **Salaries Payable and Accrued Employee Benefits**

A liability is recorded at June 30 for those amounts owed to teachers and other employees of the District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are rendered, even though they are not paid until July and August of the following fiscal year.

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for employee health insurances for the months of July and August. The District pays these insurances for this period as a part of the compensation for services rendered in the preceding school year.

### **Retirement/Severance Benefits**

Most employees of the District are compensated for leaves of absences chargeable to sick days. Each school year, the covered employees are credited with a number of sick days and any unused portion of such allowances can accumulate. Upon retirement, those employees who meet certain age and years of service requirements will be paid for a portion of sick days accumulated to a maximum number of days and at a rate determined by their job category.

The liability for severance benefits has been computed using the vesting method in accordance with Governmental Accounting Standards Board Statement No. 16. This liability is shown on the statement of net assets.

Certain employees, after extended service to the District, are eligible for a retirement amount based upon years of service and the BA base salary, and, if applicable final salary. Only the amount that has matured is reflected in the fund financial statements (*modified accrual basis*). The full amount is reflected in the government-wide (*full-accrual basis*) statements.

### **Reserves and Designations of Fund Balance/Restricted Net Assets**

Reservations of fund balance are established to identify (1) third party claims against resources of the entity that have not materialized as liabilities at the balance sheet date, or (2) the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure, or (3) the existence of assets that are legally restricted to a future use.

Designations of fund balance are established to identify amounts set aside by the Board of Education for future expenditures.

Restricted net assets represent assets which are legally restricted by outside parties or enabling legislation.

### **Durant Related Issues**

Under Public Act 142 of 1997, enacted in November 1997 as part of the *Durant* Resolution Package, school districts and intermediate school districts were offered settlement amounts to settle, compromise, and resolve, in their entirety, any potential claims they may have asserted for violations of section 29, Article IX, of the constitution through September 30, 1997, which were similar to the claims asserted by the plaintiffs in the *Durant v. State of Michigan* case. To be eligible to receive its offer of settlement amount, the non-plaintiff district needed to adopt and submit to the State Treasurer a waiver resolution, in the form set forth in Public Act 142 of 1997, waiving any potential claims through September 30, 1997.

# HAMILTON COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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Settlement amounts were based on the formula used to determine amounts owed to *Durant* plaintiffs. Half the settlement amount was to be received in ten annual payments; the other half was received in a lump sum by participating in a special bonding program offered through the Michigan Municipal Bond Authority (MMBA) or in fifteen annual payments. Hamilton Community Schools elected to participate in the special bonding program.

Districts electing to bond under the Durant settlement received a lump sum amount (bond proceeds) on November 24, 1998. This created a liability which will be reduced each year with an annual state appropriation made for debt service on the bonds. The annual State of Michigan appropriation is the only revenue source for making the annual debt service payment on the bonds. If the legislature fails to appropriate the funds, the district is under no obligation for payment. Additionally, the bond documentation states specifically that the Bonds shall not be in any way a debt or liability of the State of Michigan. This liability has been booked on the statement of net assets. Annual appropriations from the State are recorded in the Durant Debt Service Fund along with the payment of the interest and principal of the bonds.

The original bond proceeds were recorded in the Durant Construction Fund and expended for purposes specified in Section 1351a of the Revised School Code.

The remaining 50% of the settlement which is being received over ten years, beginning April 1999, is recorded in the General Fund as Unrestricted State School Aid. Use of these funds is restricted to specified purposes.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Interfund Transactions**

During the course of normal operations, the District has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the District.

## **2. STATE OF MICHIGAN SCHOOL AID**

The District reports State of Michigan school aid in the fiscal year in which the District is entitled to the revenue as provided by State of Michigan School aid appropriation acts. State funding provided 69% of general fund revenue to the District during the 2008 fiscal year.

## **3. DEFICIT FUND BALANCE**

At June 30, 2008, the District had an unreserved deficit fund balance of \$8,442 in the Food Service Fund. This amount is net of reserves for inventory and prepaid items of \$12,663, resulting in an overall positive fund balance of \$4,221. Management plans to eliminate the unreserved deficit fund balance through the recognition of revenues and transfers from the general fund in subsequent years.

# HAMILTON COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

### 4. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

During the year ended June 30, 2008 the District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund			
Executive administration	\$349,700	\$375,335	\$25,635
Transfers out	495,300	517,635	22,335
Athletics Fund			
Salaries	307,740	317,463	9,723
Employee benefits	87,330	89,589	2,259
Purchased services	190,830	193,665	2,835
Miscellaneous	42,910	47,026	4,116
Food Service Fund			
Salaries	249,110	264,807	15,697
Employee benefits	82,690	85,461	2,771
Purchased services	19,270	20,672	1,402
Commodities expense	9,890	37,491	27,601
Miscellaneous	5,000	5,014	14

The budget variance in the General Fund – Executive Administration was the result of the year-end recognition of severance benefits for a retiring superintendent. The expenses were expensed as earned in the government wide statements but only allocated as designated fund balance in the fund statements. The variance in transfers out was due to higher than expected end-of-year transfers to Food Service in order to maintain a positive fund balance.

In the Athletic Fund, the variances in salaries and benefits was due to greater than expected compensation for spring sports and camps which were disbursed near the end of the fiscal year. Likewise, the purchased services and miscellaneous expenses exceeded budgeted amounts as a result of sports camp activities and tournament expenses, respectively, that occurred after final budget amendments.

Food service variances in salaries and benefits were the result of higher than expected hours worked for employees in that department. The purchased services budget was increased in budget revisions for increasing equipment maintenance costs but late entries exceeded even that adjusted amount. This was the first full year of the District's participation in a commodity cooperative which more fully utilizes federally available commodities. All commodity expenses have a corresponding revenue (or deferred revenue) entry.

### 5. CASH AND INVESTMENTS

The composition of cash and investments is as follows:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash on hand	\$ 320	\$ -	\$ 320
Deposits in checking and savings accounts	752,708	41,002	793,710
Certificates of deposit (due < 1 year)	388,130	70,000	458,130
Investments	8,352,397	-	8,352,397
<b>Total cash and cash equivalents and investments</b>	<b><u>\$9,493,555</u></b>	<b><u>\$111,002</u></b>	<b><u>\$9,604,557</u></b>

These deposits are in six (6) financial institutions located in Michigan. State policy limits the District's investing options to financial institutions located in Michigan. All accounts are in the name of the District and a specific fund or common account. They are recorded in District records at fair value.

# HAMILTON COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

The District chooses to disclose its investments by specifically identifying each. As of June 30, 2008, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Fixed Income Securities:			
Federal Home Loan Mortgage Corporation Medium Term Note	04/15/2010	\$ 102,025	Aaa/AAA
Federal Home Loan Mortgage Corporation	12/16/2010	102,594	Aaa/AAA
Federal Home Loan Mortgage Corporation	02/24/2011	101,656	Aaa/AAA
Federal Home Loan Mortgage Corporation	04/18/2011	104,125	Aaa/AAA
Federal Home Loan Mortgage Corporation Medium Term Note	11/12/2009	101,730	Aaa/AAA
Federal Home Loan Mortgage Corporation	09/22/2009	202,556	Aaa/AAA
Federal Home Loan Mortgage Corporation Medium Term Note	10/13/2010	101,677	Aaa/AAA
Federal Home Loan Mortgage Corporation	09/01/2010	103,575	Aaa/AAA
Federal Home Loan Mortgage Corporation	07/15/2008	100,000	Aaa/AAA
Federal Home Loan Mortgage Corporation Medium Term Note	10/15/2011	100,011	Aaa/AAA
Federal Farm Credit Bank	04/11/2012	107,313	Aaa/AAA
Federal Farm Credit Bank	01/27/2011	101,656	Aaa/AAA
Federal Farm Credit Bank	07/03/2012	101,688	Aaa/AAA
Federal Farm Credit Bank	03/14/2012	102,063	Aaa/AAA
Federal Farm Credit Bank	01/06/2012	103,250	Aaa/AAA
Federal Farm Credit Bank	07/05/2011	104,656	Aaa/AAA
Federal Home Loan Bank	02/26/2009	101,844	Aaa/AAA
Federal Home Loan Bank	08/14/2009	101,719	Aaa/AAA
Federal Home Loan Bank	08/13/2010	102,969	Aaa/AAA
Federal Home Loan Bank	08/15/2008	100,125	Aaa/AAA
Federal Home Loan Bank	11/14/2008	100,375	Aaa/AAA
Federal Home Loan Bank	05/15/2009	101,188	Aaa/AAA
Federal Home Loan Bank	11/23/2010	101,938	Aaa/AAA
Federal Home Loan Bank	12/22/2009	101,750	Aaa/AAA
Federal Home Loan Bank DTD	02/12/2010	101,469	Aaa/AAA
Federal Home Loan Bank	07/13/2010	102,188	Aaa/AAA
Federal Home Loan Bank	09/14/2012	101,688	Aaa/AAA
Federal Home Loan Bank	09/09/2011	104,063	Aaa/AAA
Federal Home Loan Bank	06/10/2011	104,625	Aaa/AAA
Federal Home Loan Bank	08/19/2011	105,188	Aaa/AAA
Federal Home Loan Bank	11/18/2011	103,344	Aaa/AAA
Federal Home Loan Bank	12/09/2011	102,906	Aaa/AAA
Federal Home Loan Bank	03/11/2011	103,844	Aaa/AAA
Federal Home Loan Bank	06/08/2012	105,219	Aaa/AAA
Federal Home Loan Bank Multi- Coupon	10/15/2008	100,750	Aaa/AAA
Federal Home Loan Bank Multi- Coupon	03/15/2009	102,031	Aaa/AAA
Federal Home Loan Bank Multi- Coupon	04/15/2009	100,406	Aaa/AAA
Federal Home Loan Bank Multi- Coupon	07/15/2012	104,500	Aaa/AAA
Federal Home Loan Bank Multi- Coupon	07/15/2009	101,375	Aaa/AAA
Federal National Mortgage Association	02/16/2012	103,719	*
Federal National Mortgage Association	05/17/2010	102,688	*
Federal National Mortgage Association	01/15/2009	101,313	*

# HAMILTON COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Federal National Mortgage Association	06/15/2009	\$ 103,406	*
Federal National Mortgage Association	05/15/2011	106,500	*
Federal National Mortgage Association	08/01/2012	101,188	*
Federal National Mortgage Association	01/25/2010	101,906	*
Federal National Mortgage Association	03/08/2010	102,188	*
Federal National Mortgage Association	12/09/2010	100,406	*
Federal National Mortgage Association	05/18/2012	103,375	*
Federal National Mortgage Association			
Multi- Coupon	06/17/2010	100,031	*
Student Loan Marketing Association			
Medium Term Note	12/01/2008	101,507	*
U.S. Treasury Security	09/15/2008	100,266	*
Commercial Paper:			
AIG Funding Inc.	12/02/2008	246,375	A1/P1
American Express	11/18/2008	245,730	A1/P1
American General Financial Inc.	12/02/2008	246,188	A1/P1
Edison Asset Disc.	12/30/2008	246,696	A1/P1
FACR Owner Trust Inc.	10/07/2008	247,645	A1/P1
General Electric Capital Corp.	11/04/2008	249,648	A1/P1
Merrill Lynch	12/16/2008	196,529	A1/P1
New Center Asset Trust	09/23/2008	247,934	A1/P1
General Electric Capital Corp.	12/16/2008	245,969	A1/P1
HSBC Finance	10/21/2008	245,501	A1/P1
Toyota Motors	01/13/2009	246,510	A1/P1
Mutual Fund:			
AIM Govt & Agency – Private	N/A	<u>263,100</u>	Aaa/AAA
<b>Total Investments</b>		<b><u>\$ 8,352,397</u></b>	

\* denotes that the District is not required to report a rating because the investment is backed or sponsored by the U.S. government.

### ***Investment and Deposit Risk***

***Interest Rate Risk.*** State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1 of the summary of significant accounting policies. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity date for each investment is identified above for investments held at year end.

***Credit Risk.*** State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of District's specific financial institutions, qualified mutual funds, and qualified external investment pools as identified in Note 1 (summary of significant accounting policies). The investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.



# HAMILTON COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District minimizes this risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the District's investment policy. As of year end, \$1,155,629 of the District's bank balance of \$1,599,874 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District minimized this risk by pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors to be in compliance with the requirements set forth in the District's investment policy. As of year end, all of the District's investment balance of \$8,352,397 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1 of the summary of significant accounting policies. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. More than 5 percent of the District's investments are in certificates of deposit. All investments held at year end are reported above.

### 6. CAPITAL ASSETS

A summary of changes in capital assets activity for the year ended June 30, 2008 was as follows:

	<b>Balance July 1, 2007</b>	<b>Additions</b>	<b>Dispositions</b>	<b>Balance June 30, 2008</b>
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 1,255,880	\$ -	\$ -	\$ 1,255,880
Capital assets being depreciated:				
Buildings and improvements	44,990,815	-	(30,000)	44,960,815
Furniture and equipment	2,035,981	88,085	(25,566)	2,098,500
Vehicles	2,270,979	181,699	-	2,452,678
Infrastructure	208,879	-	-	208,879
Total capital assets being depreciated	49,506,654	269,784	(55,566)	49,720,872
Accumulated depreciation:				
Buildings and improvements	(9,656,498)	(943,102)	15,600	(10,584,000)
Furniture and equipment	(1,238,364)	(161,595)	25,566	(1,374,393)
Vehicles	(1,710,944)	(167,562)	-	(1,878,506)
Infrastructure	(16,710)	(8,355)	-	(25,065)
Total accumulated depreciation	(12,622,516)	(1,280,614)	41,166	(13,861,964)
Total capital assets being depreciated, net	36,884,138	(1,010,830)	(14,400)	35,858,908
<b>Governmental activities capital assets, net</b>	<b>\$38,140,018</b>	<b>\$ (1,010,830)</b>	<b>\$ (14,400)</b>	<b>\$37,114,788</b>

# HAMILTON COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

Depreciation expense for the fiscal year ended June 30, 2008 amounted to \$1,280,614. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

### 7. EQUIPMENT AND MAINTENANCE PROJECTS (EMP)

In 1992, Hamilton voters approved 1.00 mills of property tax for equipment and maintenance projects for five years. In 1994, Proposal A included this revenue in the District's foundation grant. The Board of Education has continued to designate a portion of its State School Aid to continue these projects. A subcommittee of the Board of Education services as an EMP Committee to discuss projects with members of the Administrative staff.

For the 2007/08 fiscal year, EMP is not reported separately in these statements, but a portion of the fund balance in the General Fund continues to be designated for EMP purposes. The following information provides detail on EMP activity for the year ended June 30, 2008:

Fund balance July 1, 2007	\$ 1,015,215
Revenue designated for EMP	628,265
EMP expenditures	<u>(850,363)</u>
<b>Fund balance June 30, 2008</b>	<b><u>\$ 793,117</u></b>

### 8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At June 30, 2008, interfund receivables and payables consisted of the following:

	<u>Due to</u>	<u>Due from</u>
General Fund	\$ 8,000	\$ -
Nonmajor Funds	<u>-</u>	<u>8,000</u>
<b>Total</b>	<b><u>\$ 8,000</u></b>	<b><u>\$ 8,000</u></b>

For the year ended June 30, 2008, interfund transfers consisted of the following:

	<u>In</u>	<u>Out</u>
General Fund	\$ -	\$ 517,635
Nonmajor Funds	<u>517,635</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 517,635</u></b>	<b><u>\$ 517,635</u></b>

The School District reports interfund balances between many of its funds. The sum of all balances presented in the tables above agrees with the sum of interfund balances presented in the balance sheet for the governmental funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers primarily reflect subsidies allocated from the General Fund.

# HAMILTON COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

### 9. LONG-TERM DEBT

The following is a summary of debt transactions of the District for the year ended June 30, 2008:

	Long-term Debt				
	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year
1998 School Building and Site Refunding bonds due in amounts ranging from \$420,000 through \$1,775,000 plus interest at 3.00 – 5.50% through 2009	\$ 15,755,000	\$ -	\$(13,745,000)	\$ 2,010,000	\$ 2,010,000
2005 Refunding Bonds due in amounts ranging from \$865,000 through \$1,560,000 plus interest at 3.00 – 5.00% through 2018 (unlimited tax, general obligation)	13,380,000	-	-	13,380,000	-
1998 Building Improvement Bonds (Durant Settlement) due in amounts ranging from \$11,159 through \$45,918 plus interest at 4.76% through 2013	82,182	-	-	82,182	11,159
2008 Refunding Bonds due in amounts ranging from \$400,000 through \$1,745,000 plus interest at 3.25 – 4.00% through 2022	-	8,985,000	-	8,985,000	1,540,000
Total installment debt	29,217,182	8,985,000	(13,745,000)	24,457,182	3,561,159
Loss on refunding	(718,642)	(276,310)	65,332	(929,621)	-
Premium on bonds	613,004	153,592	(55,727)	710,868	-
Severance benefits	814,920	23,604	(135,697)	702,827	-
<b>Total long-term debt</b>	<b>\$ 29,926,464</b>	<b>\$ 8,885,886</b>	<b>\$(13,871,092)</b>	<b>\$ 24,941,258</b>	<b>\$ 3,561,159</b>

Following is a summary of future bond and loan principal maturities and interest requirements:

	Principal	Interest
2009	\$ 3,561,159	\$ 1,208,662
2010	1,746,690	1,015,265
2011	1,828,064	854,402
2012	1,572,829	784,651
2013	1,563,440	706,040
2014 – 2018	7,570,000	2,405,900
2019 – 2022	6,615,000	673,800
<b>Total</b>	<b>\$24,457,182</b>	<b>\$7,648,720</b>

Severance benefits are expected to be liquidated by the general and food service funds.

# HAMILTON COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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In the current year, the District partially advance refunded certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. The advance refunding resulted in a defeasance of the bonds. As a result, the trust account assets and the liability for the defeased bonds are not included in the Hamilton Community Schools financial statements. At June 30, 2008, \$11,925,000 of bonds outstanding are considered defeased.

The current refunding was undertaken to reduce total debt service expenditures over the next 16 years by \$3,883,928 and resulted in an economic gain of \$1,219,068.

### 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2008, the District carried commercial insurance to cover losses related to these risks. The District has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

### 11. RETIREMENT PLAN

#### Plan Description

The District contributes to the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools), or by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30026, Lansing, Michigan, 48909, or by calling (517) 322-6000.

#### Funding Policy

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The rate from July to September was 17.74% and from October through June was 16.72% of covered payroll. The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The District's contributions to MPERS for the years ended June 30, 2008, 2007, and 2006 were \$2,097,535, \$2,108,176, and \$1,901,896, respectively, equal to the required contributions for each year.

# HAMILTON COMMUNITY SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

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### 12. CONTINGENCIES

#### **Federal Grant Programs**

The District participates in federally assisted grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, not to be material.

\* \* \* \* \*

**COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES**

## **GENERAL FUND**

# HAMILTON COMMUNITY SCHOOLS

## Comparative Balance Sheet

### General Fund

June 30, 2008

With Comparative Totals as of June 30, 2007

	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Cash and investments	\$ 8,760,986	\$ 9,500,115
Receivables:		
Accounts	-	1,983
Interest	62,535	52,892
Due from other governments	3,064,031	2,815,474
Prepaid items	<u>104,548</u>	<u>97,768</u>
 Total assets	<u><u>\$ 11,992,100</u></u>	<u><u>\$ 12,468,232</u></u>
 <b>Liabilities</b>		
Accounts payable	\$ 94,296	\$ 78,807
Accrued liabilities:		
Severance benefits	262,646	130,934
Payroll	1,266,480	1,232,466
Payroll taxes	96,917	94,284
Fringe benefits	402,789	394,776
Due to other funds	8,000	-
Due to other governments	-	24,435
Deferred revenue	<u>-</u>	<u>20,051</u>
 Total liabilities	<u>2,131,128</u>	<u>1,975,753</u>
 <b>Fund balances</b>		
Reserved for prepaid items	104,548	97,768
Designated for equipment/maintenance	793,117	1,015,215
Designated for severance benefits	702,827	814,920
Unreserved, undesignated	<u>8,260,480</u>	<u>8,564,576</u>
 Total fund balances	<u>9,860,972</u>	<u>10,492,479</u>
 <b>Total liabilities and fund balances</b>	<u><u>\$ 11,992,100</u></u>	<u><u>\$ 12,468,232</u></u>



**HAMILTON COMMUNITY SCHOOLS**  
**Schedule of Operating Expenditures**  
**General Fund**  
**For the Year Ended June 30, 2008**  
**With Comparative Totals for the Year Ended June 30, 2007**

	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Purchased Services</u>	<u>Supplies &amp; Materials</u>	<u>Other Expenses</u>	<u>Capital Outlay</u>	<u>2008</u>	<u>2007</u>
Instruction:								
Basic	\$ 7,158,800	\$ 3,879,564	\$ 117,471	\$ 336,602	\$ 39,258	\$ -	\$ 11,531,695	\$ 11,020,865
Added needs	1,021,111	505,315	60,302	13,567	41,018	26,569	1,667,882	1,511,603
Supporting services:								
Pupil services	587,055	290,039	124,503	9,348	205	15,940	1,027,090	980,220
Improvement of instruction	401,204	164,664	84,237	69,403	6,401	1,771	727,680	685,546
Executive administration	156,981	145,793	55,196	10,293	7,072	5,384	380,719	272,056
School administration	875,308	478,956	31,331	24,234	4,783	14,170	1,428,782	1,457,165
Other pupil services	188,475	108,159	27,599	7,209	32,425	-	363,867	471,749
Operation and maintenance	695,298	365,951	416,578	705,495	719	-	2,184,041	2,137,000
Transportation services	746,971	251,466	102,489	333,096	2,061	-	1,436,083	1,283,530
District support	22,872	14,511	29,022	1,949	4,854	-	73,208	84,411
Community services	98,598	41,532	6,098	27,154	43,976	14,678	232,036	179,278
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>760,553</u>	<u>760,553</u>	<u>408,968</u>
<b>Total expenditures</b>	<u><u>\$ 11,952,673</u></u>	<u><u>\$ 6,245,950</u></u>	<u><u>\$ 1,054,826</u></u>	<u><u>\$ 1,538,350</u></u>	<u><u>\$ 182,772</u></u>	<u><u>\$ 839,065</u></u>	<u><u>\$ 21,813,636</u></u>	<u><u>\$ 20,492,391</u></u>

## **NONMAJOR GOVERNMENTAL FUNDS**

# HAMILTON COMMUNITY SCHOOLS

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2008

	Special Revenue		Capital Projects		
	Athletics	Food Service	Building and Site	1998 Durant	Total
<b>Assets</b>					
Cash and investments	\$ 69,557	\$ 3,070	\$ 162,270	\$ 37,994	\$ 272,891
Receivables:					
Accounts	-	1,823	-	-	1,823
Interest	-	-	743	-	743
Due from other governments	-	4,716	-	-	4,716
Due from other funds	8,000	-	-	-	8,000
Inventory	-	20,166	-	-	20,166
Prepaid items	1,168	1,680	-	-	2,848
<b>Total assets</b>	<u>\$ 78,725</u>	<u>\$ 31,455</u>	<u>\$ 163,013</u>	<u>\$ 37,994</u>	<u>\$ 311,187</u>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 6,648	\$ 795	\$ -	\$ -	\$ 7,443
Accrued expenses	282	-	-	-	282
Deferred revenue	-	26,439	-	-	26,439
<b>Total liabilities</b>	<u>6,930</u>	<u>27,234</u>	<u>-</u>	<u>-</u>	<u>34,164</u>
<b>Fund balances</b>					
Reserved for:					
Inventory	-	10,983	-	-	10,983
Prepaid items	1,168	1,680	-	-	2,848
Unreserved:					
Unreserved, undesignated (deficit)	<u>70,627</u>	<u>(8,442)</u>	<u>163,013</u>	<u>37,994</u>	<u>263,192</u>
<b>Total fund balances</b>	<u>71,795</u>	<u>4,221</u>	<u>163,013</u>	<u>37,994</u>	<u>277,023</u>
<b>Total liabilities and fund balances</b>	<u>\$ 78,725</u>	<u>\$ 31,455</u>	<u>\$ 163,013</u>	<u>\$ 37,994</u>	<u>\$ 311,187</u>

**HAMILTON COMMUNITY SCHOOLS**  
**Combining Statement of Revenue, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2008**

	<b>Special Revenue</b>		<b>Capital Projects</b>		
	<b>Athletics</b>	<b>Food Service</b>	<b>Building and Site</b>	<b>1998 Durant</b>	<b>Total</b>
<b>Revenue</b>					
Local sources	\$ 289,465	\$ 523,790	\$ 7,239	\$ 445	\$ 820,939
State sources	-	26,071	-	-	26,071
Federal sources	-	203,642	-	-	203,642
Total revenue	289,465	753,503	7,239	445	1,050,652
<b>Expenditures</b>					
Current:					
Food service	-	796,099	-	-	796,099
Athletic activities	758,776	-	-	-	758,776
Capital outlay	9,955	3,764	-	-	13,719
Total expenditures	768,731	799,863	-	-	1,568,594
Revenue over (under) expenditures	(479,266)	(46,360)	7,239	445	(517,942)
<b>Other financing sources (uses)</b>					
Transfers in	474,235	43,400	-	-	517,635
Net changes in fund balances	(5,031)	(2,960)	7,239	445	(307)
Fund balances, beginning of year	76,826	7,181	155,774	37,549	277,330
<b>Fund balances, end of year</b>	<u>\$ 71,795</u>	<u>\$ 4,221</u>	<u>\$ 163,013</u>	<u>\$ 37,994</u>	<u>\$ 277,023</u>

**HAMILTON COMMUNITY SCHOOLS**  
**Comparative Balance Sheet**  
**Athletics Fund**  
**June 30, 2008**  
**With Comparative Totals as of June 30, 2007**

	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Cash and investments	\$ 69,557	\$ 79,949
Due from other funds	8,000	-
Prepaid items	<u>1,168</u>	<u>1,077</u>
 <b>Total assets</b>	 <u><u>\$ 78,725</u></u>	 <u><u>\$ 81,026</u></u>
 <b>Liabilities</b>		
Accounts payable	\$ 6,648	\$ 4,200
Accrued expenses	<u>282</u>	<u>-</u>
 <b>Total liabilities</b>	 <u>6,930</u>	 <u>4,200</u>
 <b>Fund balances</b>		
Reserved for prepaid items	1,168	1,077
Unreserved, undesignated	<u>70,627</u>	<u>75,749</u>
 Total fund balances	 <u>71,795</u>	 <u>76,826</u>
 <b>Total liabilities and fund balances</b>	 <u><u>\$ 78,725</u></u>	 <u><u>\$ 81,026</u></u>

**HAMILTON COMMUNITY SCHOOLS**  
**Schedule of Revenue, Expenditures and Changes in**  
**Fund Balance - Budget and Actual**  
**Athletics Fund**  
**For the Year Ended June 30, 2008**  
**With Comparative Totals for the Year Ended June 30, 2007**

	<b>Budget</b>			<b>Variance</b>	
	<b>Original</b>	<b>Amended</b>	<b>Actual</b>	<b>With Final Budget</b>	<b>2007 Actual</b>
<b>Revenue</b>					
Local sources:					
Gate receipts	\$ 292,370	\$ 308,590	\$ 287,617	\$ (20,973)	\$ 274,145
Interest	1,970	2,000	1,748	(252)	2,000
Miscellaneous revenue	320	100	100	-	25
Total revenue	294,660	310,690	289,465	(21,225)	276,170
<b>Expenditures</b>					
Supporting services:					
Salaries	310,700	307,740	317,463	9,723	283,916
Employee benefits	88,440	87,330	89,589	2,259	83,846
Purchased services	175,150	190,830	193,665	2,835	142,229
Supplies and materials	165,150	166,820	111,033	(55,787)	142,313
Miscellaneous	24,150	42,910	47,026	4,116	22,776
Capital outlay	14,320	15,080	9,955	(5,125)	12,264
Total expenditures	777,910	810,710	768,731	(41,979)	687,344
Revenue over (under) expenditures	(483,250)	(500,020)	(479,266)	20,754	(411,174)
<b>Other financing sources</b>					
Transfers in	460,060	465,260	474,235	8,975	417,103
Net changes in fund balance	(23,190)	(34,760)	(5,031)	29,729	5,929
Fund balances, beginning of year	76,826	76,826	76,826	-	70,897
<b>Fund balances, end of year</b>	<b>\$ 53,636</b>	<b>\$ 42,066</b>	<b>\$ 71,795</b>	<b>\$ 29,729</b>	<b>\$ 76,826</b>

# HAMILTON COMMUNITY SCHOOLS

## Comparative Balance Sheet

### Food Service Fund

June 30, 2008

With Comparative Totals as of June 30, 2007

	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Cash and investments	\$ 3,070	\$ 7,050
Receivables		
Accounts	1,823	94
Due from other governments	4,716	4,411
Inventory	20,166	22,828
Prepaid items	<u>1,680</u>	<u>3,462</u>
<b>Total assets</b>	<u><u>\$ 31,455</u></u>	<u><u>\$ 37,845</u></u>
<b>Liabilities</b>		
Accounts payable	\$ 795	\$ -
Deferred revenue	<u>26,439</u>	<u>30,664</u>
<b>Total liabilities</b>	<u>27,234</u>	<u>30,664</u>
<b>Fund balances</b>		
Reserved for:		
Inventory	10,983	10,521
Prepaid items	1,680	3,462
Unreserved (deficit)	<u>(8,442)</u>	<u>(6,802)</u>
<b>Total fund balances</b>	<u>4,221</u>	<u>7,181</u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 31,455</u></u>	<u><u>\$ 37,845</u></u>

**HAMILTON COMMUNITY SCHOOLS**  
**Schedule of Revenue, Expenditures and Changes in**  
**Fund Balance - Budget and Actual**  
**Food Service Fund**  
**For the Year Ended June 30, 2008**  
**With Comparative Totals for the Year Ended June 30, 2007**

	<b>Budget</b>			<b>Variance</b>	
	<b>Original</b>	<b>Amended</b>	<b>Actual</b>	<b>With Final</b>	<b>2007</b>
				<b>Budget</b>	<b>Actual</b>
<b>Revenue</b>					
Local sources:					
Lunch sales	\$ 545,800	\$ 523,990	\$ 511,626	\$ (12,364)	\$ 517,629
Interest	1,100	2,100	1,739	(361)	1,496
Miscellaneous revenue	11,400	9,550	10,425	875	7,872
Total local sources	558,300	535,640	523,790	(11,850)	526,997
State sources:					
State aid	24,250	25,920	26,071	151	24,091
Federal sources:					
Federal aid received through the State	144,800	157,800	166,151	8,351	157,809
U.S.D.A. donated commodities	17,100	9,890	37,491	27,601	21,028
Total federal sources	161,900	167,690	203,642	35,952	178,837
Total revenue	744,450	729,250	753,503	24,253	729,925
<b>Expenditures</b>					
Supporting services:					
Salaries	244,380	249,110	264,806	15,696	256,675
Employee benefits	82,060	82,690	85,461	2,771	85,445
Purchased services	11,900	19,270	20,672	1,402	10,680
Supplies and materials	51,680	55,730	49,032	(6,698)	45,395
Food and milk	360,160	335,990	333,623	(2,367)	341,843
Commodities expense	17,240	9,890	37,491	27,601	21,027
Miscellaneous	3,050	5,000	5,014	14	3,151
Capital outlay	-	3,900	3,764	(136)	2,539
Total expenditures	770,470	761,580	799,863	38,283	766,755
Revenue over (under) expenditures	(26,020)	(32,330)	(46,360)	(14,030)	(36,830)
<b>Other financing sources</b>					
Transfers in	30,000	30,000	43,400	13,400	39,880
Net changes in fund balances	3,980	(2,330)	(2,960)	(630)	3,050
Fund balances, beginning of year	7,181	7,181	7,181	-	4,131
<b>Fund balances, end of year</b>	<b>\$ 11,161</b>	<b>\$ 4,851</b>	<b>\$ 4,221</b>	<b>\$ (630)</b>	<b>\$ 7,181</b>



# HAMILTON COMMUNITY SCHOOLS

## Comparative Balance Sheet

### Debt Service Fund

June 30, 2008

With Comparative Totals as of June 30, 2007

	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Cash and investments	\$ 459,678	\$ 1,959,954
Interest receivable	742	2,076
Due from other governments	<u>82,182</u>	<u>82,182</u>
<b>Total assets</b>	<u><u>\$ 542,602</u></u>	<u><u>\$ 2,044,212</u></u>
<b>Liabilities</b>		
Deferred revenue	\$ 82,182	\$ 82,182
<b>Fund balances</b>		
Unreserved, undesignated	<u>460,420</u>	<u>1,962,030</u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 542,602</u></u>	<u><u>\$ 2,044,212</u></u>

**HAMILTON COMMUNITY SCHOOLS**  
**Schedule of Revenue, Expenditures**  
**and Changes in Fund Balances**  
**Debt Service Fund**  
**For the Year Ended June 30, 2008**  
**With Comparative Totals for the Year Ended June 30, 2007**

	<u>2008</u>	<u>2007</u>
<b>Revenue</b>		
Local sources:		
Current property tax levy	\$ 4,402,269	\$ 4,207,400
Interest income	98,897	90,816
Miscellaneous	<u>156,426</u>	<u>150,201</u>
Total revenue	<u>4,657,592</u>	<u>4,448,417</u>
<b>Expenditures</b>		
Debt service:		
Principal	1,820,000	1,575,000
Interest	1,119,203	1,501,079
Bond issuance costs	150,886	-
Paying agent fees	525	525
Taxes abated and written off	<u>5,870</u>	<u>33,821</u>
Total expenditures	<u>3,096,484</u>	<u>3,110,425</u>
Revenue over expenditures	<u>1,561,108</u>	<u>1,337,992</u>
<b>Other financing sources (uses)</b>		
Issuance of refunding bonds	8,985,000	-
Premium on refunding bonds	153,592	-
Payment to refunding bond escrow agent	<u>(12,201,310)</u>	<u>-</u>
Total other financing sources (uses)	<u>(3,062,718)</u>	<u>-</u>
Net changes in fund balances	(1,501,610)	1,337,992
Fund balances, beginning of year	<u>1,962,030</u>	<u>624,038</u>
<b>Fund balances, end of year</b>	<u><u>\$ 460,420</u></u>	<u><u>\$ 1,962,030</u></u>

# **HAMILTON COMMUNITY SCHOOLS**

## **Balance Sheet**

### **Capital Projects Funds**

**June 30, 2008**

**With Comparative Totals as of June 30, 2007**

	<b>Capital Project Funds</b>			
	<b>Building and Site Fund</b>	<b>1998 Durant Fund</b>	<b>Totals</b>	
			<b>2008</b>	<b>2007</b>
<b>Assets</b>				
Cash and investments	\$ 162,270	\$ 37,994	\$ 200,264	\$ 192,058
Interest receivable	743	-	743	1,265
<b>Total assets</b>	<b>\$ 163,013</b>	<b>\$ 37,994</b>	<b>\$ 201,007</b>	<b>\$ 193,323</b>
<b>Fund balances</b>				
Unreserved, undesignated	\$ 163,013	\$ 37,994	\$ 201,007	\$ 193,323

**HAMILTON COMMUNITY SCHOOLS**  
**Schedule of Revenue, Expenditures**  
**and Changes in Fund Balance**  
**Capital Project Funds**  
**For the Year Ended June 30, 2008**  
**With Comparative Totals for the Year Ended June 30, 2007**

	<b>Capital Project Funds</b>		<b>Totals</b>	
	<b>Building</b>	<b>1998</b>		
	<b>and</b>	<b>Durant</b>	<b>2008</b>	<b>2007</b>
	<b>Site Fund</b>	<b>Fund</b>		
<b>Revenue</b>				
Local - interest	\$ 7,239	\$ 445	\$ 7,684	\$ 71,537
<b>Other financing sources</b>				
Transfer out	-	-	-	(1,601,557)
Net changes in fund balances	7,239	445	7,684	(1,530,020)
Fund balances, beginning of year	155,774	37,549	193,323	1,723,343
<b>Fund balances, end of year</b>	<b>\$ 163,013</b>	<b>\$ 37,994</b>	<b>\$ 201,007</b>	<b>\$ 193,323</b>

## **AGENCY FUND**

**HAMILTON COMMUNITY SCHOOLS**  
**Statement of Changes in Assets and Liabilities**  
**Agency Fund**  
**For the Year Ended June 30, 2008**

	Student Activities Fund			
	Beginning Balance	Additions	Deletions	Ending Balance
<b>Assets</b>				
Cash and investments	\$ 55,877	\$ 214,428	\$ 214,780	\$ 55,525
Inventory	17,151	1,052	-	18,203
<b>Total assets</b>	<b>\$ 73,028</b>	<b>\$ 215,480</b>	<b>\$ 214,780</b>	<b>\$ 73,728</b>
<b>Liabilities</b>				
Middle School:				
Age group swim	\$ 22	\$ 18,646	\$ 14,028	\$ 4,640
Art club	240	-	-	240
Art - it's out there	5,544	5,165	1,598	9,111
Camp/scholarship fund	109	-	-	109
Eighth grade team	976	5,232	4,475	1,733
General fundraising	3,395	11,804	11,856	3,343
Library	213	244	288	169
Locker art	407	-	-	407
Miller's club	676	560	926	310
MP3	980	6,908	5,278	2,610
MS drama	140	1,692	1,722	110
Science Olympiad	-	1,079	999	80
Seventh grade team #1	525	4,578	4,403	700
Sixth grade team #1	-	232	142	90
Sixth grade team #2	-	232	77	155
Ski club	898	3,051	3,073	876
Student council	5,335	22,660	19,835	8,160
Yearbook	-	22,727	22,204	523
High School:				
Advanced math placement	2,156	-	-	2,156
Band	1,712	2,819	2,232	2,299
Byron Bank scholarship	500	-	-	500
Chorus	(720)	200	-	(520)
Class of 2006	961	-	961	-
Class of 2007	367	-	367	-
Class of 2008	1,100	1,245	2,345	-
Class of 2009	1,810	9,517	9,351	1,976
Class of 2010	1,157	2,480	2,044	1,593
Class of 2011	500	2,050	1,417	1,133
Close-up	2,268	-	89	2,179
Debate	715	530	1,220	25
Drama	(19,097)	9,856	10,356	(19,597)

(Continued)

**HAMILTON COMMUNITY SCHOOLS**  
**Statement of Changes in Assets and Liabilities**  
**Agency Fund (Concluded)**  
**For the Year Ended June 30, 2008**

	<b>Student Activities Fund</b>			<b>Ending Balance</b>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	
<b>Liabilities (continued)</b>				
Fees	\$ 225	\$ -	\$ -	\$ 225
Fellowship of Christian Athletes	273	-	15	258
General fundraising	2,910	1,585	3,075	1,420
German club	5,473	2,287	398	7,362
Hawk's Landing	17,197	38,573	36,391	19,379
Homkes scholarship	445	105	550	-
Journalism	225	316	1,228	(687)
Kapenga/Schipper scholarship	-	50	-	50
Life skills	(1,264)	319	198	(1,143)
Media center	624	-	37	587
Media communications	5,092	679	2,230	3,541
National Honor Society	-	-	185	(185)
Parking	538	414	634	318
Science Olympiad	-	986	582	404
Spanish club	8,218	1,305	3,559	5,964
Stratford trip	(4,397)	6,032	3,736	(2,101)
Student council	1,093	2,765	2,624	1,234
Student exchange UK - USA	3,465	29,731	26,732	6,464
Quiz Bowl	1,191	1,500	2,889	(198)
Yearbook	6,730	34,194	35,198	5,726
Accounts payable	12,101	-	12,101	-
<b>Total liabilities</b>	<b>\$ 73,028</b>	<b>\$ 254,348</b>	<b>\$ 253,648</b>	<b>\$ 73,728</b>

(Concluded)

**SCHEDULES OF BONDS ISSUED,  
REDEEMED AND OUTSTANDING**



**HAMILTON COMMUNITY SCHOOLS**  
**Schedule of Bonds Issued, Redeemed and Outstanding**  
**1998 School Building and Site and Refunding Bonds**  
**June 30, 2008**

Due	Interest Rate	Bond Principal					Interest Due	
		New Money Portion	Refunding Portion	Total Issued	Refunded/ Redeemed	Outstanding	May 1	November 1
05/01/1999	3.000 %	\$ 380,000	\$ 40,000	\$ 420,000	\$ 420,000	\$ -	\$ 968,404	\$ 962,504
05/01/2000	3.450	235,000	245,000	480,000	480,000	-	962,504	954,224
05/01/2001	3.700	360,000	285,000	645,000	645,000	-	954,224	942,291
05/01/2002	3.800	475,000	320,000	795,000	795,000	-	942,291	927,186
05/01/2003	3.850	590,000	360,000	950,000	950,000	-	927,186	908,899
05/01/2004	4.000	715,000	395,000	1,110,000	1,110,000	-	908,899	886,699
05/01/2005	4.050	740,000	435,000	1,175,000	1,175,000	-	505,084	481,290
05/01/2006	5.500	880,000	480,000	1,360,000	1,360,000	-	481,290	443,890
05/01/2007	5.500	1,040,000	535,000	1,575,000	1,575,000	-	443,890	400,578
05/01/2008	5.500	1,260,000	560,000	1,820,000	1,820,000	-	400,578	350,528
05/01/2009	5.500	1,420,000	590,000	2,010,000	-	2,010,000	350,528	295,253
05/01/2010	4.500	1,500,000	620,000	2,120,000	2,120,000	-	295,253	280,740
05/01/2011	4.600	1,630,000	605,000	2,235,000	2,235,000	-	280,740	266,250
05/01/2012	4.850	1,775,000	-	1,775,000	1,775,000	-	266,250	266,250
05/01/2013	4.850	1,775,000	-	1,775,000	1,775,000	-	266,250	266,250
05/01/2014	4.900	1,775,000	-	1,775,000	1,775,000	-	266,250	266,250
05/01/2015	5.125	1,775,000	-	1,775,000	1,775,000	-	266,250	266,250
05/01/2016	5.125	1,775,000	-	1,775,000	1,775,000	-	266,250	266,250
05/01/2017	5.125	1,775,000	-	1,775,000	1,775,000	-	266,250	266,250
05/01/2018	5.125	1,775,000	-	1,775,000	1,775,000	-	266,250	266,250
05/01/2019	5.000	1,775,000	-	1,775,000	1,775,000	-	266,250	221,875
05/01/2020	5.000	1,775,000	-	1,775,000	1,775,000	-	221,875	177,500
05/01/2021	5.000	1,775,000	-	1,775,000	1,775,000	-	177,500	133,125
05/01/2022	5.000	1,775,000	-	1,775,000	1,775,000	-	133,125	88,750
05/01/2023	5.000	1,775,000	-	1,775,000	1,775,000	-	88,750	44,375
05/01/2024	5.000	1,775,000	-	1,775,000	1,775,000	-	44,375	-
<b>Totals</b>		<b>\$ 34,300,000</b>	<b>\$ 5,470,000</b>	<b>\$ 39,770,000</b>	<b>\$ 37,760,000</b>	<b>\$ 2,010,000</b>	<b>\$ 11,216,496</b>	<b>\$ 10,629,707</b>

**Date of Issue:** November 1, 1998

**Purpose:** Erecting, furnishing and equipping a new high school; remodeling, refurbishing and re-equipping the existing Junior/Senior High School for middle school purposes and erecting, furnishing and equipping a swimming pool addition; erecting, furnishing and equipping an addition to and partially remodeling, refurbishing and re-equipping the Hamilton Elementary School; developing and improving the playground at Hamilton Elementary, athletic and outdoor physical education fields and sites, and to pay a portion of the costs of issuing the Bonds.

The remaining \$5,470,000 of the Bonds are being issued for the purpose of refunding a portion of the School District's 1994 School Building and Site and Refunding Bonds, dated November 1, 1994, which are due and payable May 1, 2000 through May 1, 2009, and May 1, 2011 (the "Prior Bonds"); and to pay the refunding portion of the costs of issuing the Bonds.

**Redemption Prior to Maturity:** The Bonds maturing on May 1, 2013, May 1, 2018, and May 1, 2024 are term bonds subject to mandatory redemption, in part, by lot, on the redemption dates and in the principal amounts set forth in the following table and at a redemption price equal to the principal amount thereof, without premium, together with interest thereon to the redemption date. When Term Bonds are purchased by the School District and delivered to the Paying Agent for cancellation or are redeemed in a manner other than by mandatory redemption, the principal amount of the Bonds so redeemed or purchased in the order determined by the School District.

	Redemption Dates	Redemption Price
Term Bonds Due May 1, 2013	May 1, 2012 through May 1, 2013	100%
Term Bonds Due May 1, 2018	May 1, 2015 through May 1, 2018	100%
Term Bonds Due May 1, 2024	May 1, 2019 through May 1, 2024	100%

**HAMILTON COMMUNITY SCHOOLS**  
**Schedule of Bonds Issued, Redeemed and Outstanding**  
**2005 Refunding Bonds**  
**June 30, 2008**

Due	Interest Rate	Bond Principal			Interest Due	
		Issued	Redeemed	Outstanding	May 1	November 1
05/01/2005	3.000 %	\$ -	\$ -	\$ -	\$ -	\$ 374,672
05/01/2006	3.000	865,000	865,000	-	319,625	306,650
05/01/2007	3.000	-	-	-	306,650	306,650
05/01/2008	3.000	-	-	-	306,650	306,650
05/01/2009	3.000	-	-	-	306,650	306,650
05/01/2010	3.500	1,305,000	-	1,305,000	306,650	283,813
05/01/2011	3.500	1,395,000	-	1,395,000	283,813	259,400
05/01/2012	5.000	1,560,000	-	1,560,000	259,400	220,400
05/01/2013	5.000	1,550,000	-	1,550,000	220,400	181,650
05/01/2014	5.000	1,540,000	-	1,540,000	181,650	143,150
05/01/2015	5.000	1,530,000	-	1,530,000	143,150	104,900
05/01/2016	4.000	1,520,000	-	1,520,000	104,900	74,500
05/01/2017	5.000	1,490,000	-	1,490,000	74,500	37,250
05/01/2018	5.000	1,490,000	-	1,490,000	37,250	-
		<u>\$ 14,245,000</u>	<u>\$ 865,000</u>	<u>\$ 13,380,000</u>	<u>\$ 2,851,288</u>	<u>\$ 2,906,335</u>

**Date of Issue:** March 30, 2005

**Purpose:** The bonds are being issued for the purpose of refunding that portion of the School District's outstanding 1998 School Building & Site Bonds, dated November 1, 1998, which are due and payable on May 1, 2010 (\$1,475,000 only), May 1, 2011 (\$1,605,000 only), May 1, 2012 through May 1, 2018 and to pay the costs of issuing the bonds.

**Redemption Prior to Maturity:** The bonds or portions of the bonds in multiples of \$5,000 maturing on or after May 1, 2016 are subject to redemption at the option of the School District in such order as the School District may determine and by lot within any maturity, on any date occurring on or after May 1, 2015, at par plus accrued interest to the date fixed for redemption.

**HAMILTON COMMUNITY SCHOOLS**  
**Schedule of Bonds Issued, Redeemed and Outstanding**  
**Durant Resolution Package Bonds**  
**June 30, 2008**

<b>Due</b>	<b>Bond Principal</b>			<b>Interest</b>
	<b>Principal</b>	<b>Redeemed</b>	<b>Outstanding</b>	
05/15/1999	\$ 20,553	\$ 20,553	\$ -	\$ 4,535
05/15/2000	16,496	16,496	-	8,568
05/15/2001	17,275	17,275	-	7,783
05/15/2002	18,088	18,088	-	6,961
05/15/2003	-	-	-	-
05/15/2004	-	-	-	-
05/15/2005	-	-	-	-
05/15/2006	45,918	45,918	-	20,528
05/15/2007	-	-	-	-
05/15/2008	-	-	-	-
05/15/2009	11,159	-	11,159	2,922
05/15/2010	11,690	-	11,690	2,390
05/15/2011	33,064	-	33,064	9,175
05/15/2012	12,829	-	12,829	1,251
05/15/2013	13,440	-	13,440	640
	<u>\$ 200,512</u>	<u>\$ 118,330</u>	<u>\$ 82,182</u>	<u>\$ 64,753</u>

Use of these funds is restricted to purposes specified in Section 1351a of the Revised School Code. Permissible uses include: purchasing, erecting, completing, remodeling or equipping school building and other facilities, furnishing school buildings, acquiring or developing sites for school buildings, purchasing school buses, and acquiring, installing or equipping school buildings for technology. Bond proceeds may not be spent for operational purposes. The District elected to receive bond proceeds from the National Bank of Detroit. This created a liability which will be reduced each year with the annual State appropriation made for debt services of the bonds. The District pledged its right to receive these future appropriations as a condition of receiving the bond proceeds.

The bond documentation states specifically that the Series 1998 bonds are not a debt or liability of the State of Michigan. The annual State of Michigan appropriation is the only revenue source for making the annual debt service payment. If the legislature fails to appropriate the funds, the District is under no obligation for payment. Should the legislature fail to appropriate debt service in any given year, the District will write off the debt for the fiscal year only.

**HAMILTON COMMUNITY SCHOOLS**  
**Schedule of Bonds Issued, Redeemed and Outstanding**  
**2008 Refunding Bonds**  
**June 30, 2008**

Due	Interest Rate	Bond Principal			Interest Due	
		Issued	Redeemed	Outstanding	May 1	November 1
05/01/2008	3.250 %	\$ -	\$ -	\$ -	\$ -	\$ 203,077
05/01/2009	3.250	1,540,000	-	1,540,000	170,813	145,787
05/01/2010	3.250	430,000	-	430,000	145,787	138,800
05/01/2011	3.250	400,000	-	400,000	138,800	132,300
05/01/2012	3.250	-	-	-	132,300	132,300
05/01/2013	3.250	-	-	-	132,300	132,300
05/01/2014	3.250	-	-	-	132,300	132,300
05/01/2015	3.250	-	-	-	132,300	132,300
05/01/2016	3.250	-	-	-	132,300	132,300
05/01/2017	3.250	-	-	-	132,300	132,300
05/01/2018	3.250	-	-	-	132,300	132,300
05/01/2019	4.000	1,560,000	-	1,560,000	132,300	101,100
05/01/2020	4.000	1,625,000	-	1,625,000	101,100	68,600
05/01/2021	4.000	1,685,000	-	1,685,000	68,600	34,900
05/01/2022	4.000	1,745,000	-	1,745,000	34,900	-
		<u>\$ 8,985,000</u>	<u>\$ -</u>	<u>\$ 8,985,000</u>	<u>\$ 1,718,400</u>	<u>\$ 1,750,664</u>

**Date of Issue:** March 27, 2008

**Purpose:** The bonds are being issued for the purpose of refunding that portion of the School District's outstanding 1998 School Building & Site Bonds, dated November 1, 1998, which are due and payable on May 1, 2010 (\$645,000 only), May 1, 2011 (\$630,000 only), May 1, 2019 through May 1, 2024 and to pay the costs of issuing the bonds.

**Redemption Prior to Maturity:** The bonds or portions of the bonds in multiples of \$5,000 maturing on or after May 1, 2019 are subject to redemption at the option of the School District in such order as the School District may determine and by lot within any maturity, on any date occurring on or after May 1, 2018, at par plus accrued interest to the date fixed for redemption.

## **OTHER INFORMATION**

**HAMILTON COMMUNITY SCHOOLS**  
**Insurance Information**  
**June 30, 2008**

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We read the insurance policies purchased by the Board of Education and have summarized the coverage as follows:

Blanket Property - \$2,500 deductible	
Buildings, contents and property in the open	\$78,794,700
Buildings – earthquake	3,000,000
Commercial Liability Umbrella - \$10,000 deductible	
General liability	6,000,000
Employers' liability	1,000,000/2,000,000
Employee benefits	500,000/500,000
School leaders errors and omissions	1,000,000/3,000,000
Sexual misconduct	1,000,000/1,000,000
Automobile	1,000,000/1,000,000
Automobile - \$250 comprehensive deductible, \$500 collision deductible	
General liability	1,000,000
Uninsured motorists	1,000,000
Physical damage – lessor of cash value or cost of repair less deductible	
Employee dishonesty and depository forgery - \$500 deductible	100,000
Workers' compensation	500,000/500,000/500,000
Computer equipment	2,505,842
Software	300,000
Musical, athletic and visual aid equipment	Various limits
Sports accident medical - \$25,000 deductible	1,000,000



**HAMILTON COMMUNITY SCHOOLS**

**SINGLE AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2008**



**REHMANN ROBSON**

*Certified Public Accountants*

# **HAMILTON COMMUNITY SCHOOLS**

## **SINGLE AUDIT REPORT**

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**REHMANN ROBSON**

*Certified Public Accountants*

A member of **THE REHMANN GROUP**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

October 2, 2008

Board of Education  
Hamilton Community Schools  
Hamilton, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of *Hamilton Community Schools*, as of and for the year ended June 30, 2008, and have issued our report thereon dated October 2, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Hamilton Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hamilton Community Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hamilton Community Schools' internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed in the schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider findings 2008-1 and 2008-2 as described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our considering of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that any of the significant deficiencies described above are material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Hamilton Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hamilton Community Schools' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Hamilton Community Schools' response, and accordingly, we express no opinion on it.

We noted certain matters that we reported to management of Hamilton Community Schools' in a separate letter dated October 2, 2008.

This report is intended solely for the information and use of management and the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

October 2, 2008

Board of Education  
Hamilton Community Schools  
Hamilton, Michigan

**Compliance**

We have audited the compliance of *Hamilton Community Schools*, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Hamilton Community Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Hamilton Community Schools' management. Our responsibility is to express an opinion on Hamilton Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hamilton Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Hamilton Community Schools' compliance with those requirements.

In our opinion, Hamilton Community Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

**Internal Control Over Compliance**

The management of Hamilton Community Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Hamilton Community Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hamilton Community Schools' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

**Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hamilton Community Schools as of and for the year ended June 30, 2008 and have issued our report thereon dated October 2, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Hamilton Community Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



# HAMILTON COMMUNITY SCHOOLS

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2008

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2007	Current Year Cash Received	Expenditures		Accrued (Deferred) Revenue June 30, 2008
						(Memo Only) Prior Year(s)	Year Ended June 30, 2008	
U.S. Department of Agriculture								
Direct Programs:								
Entitlement Commodities	10.550	n/a	\$ 37,601	\$ (12,190)	\$ 34,259	\$ -	\$ 37,266	\$ (9,183)
Bonus Commodities	10.550	n/a	225	(117)	108	-	225	-
			37,826	(12,307)	34,367	-	37,491	(9,183)
Passed-through Michigan Department of Education:								
Child Nutrition Cluster:								
National School Lunch - breakfast	10.553	071970	619	-	619	-	619	-
National School Lunch - breakfast	10.553	081970	5,266	-	5,266	-	5,266	-
			5,885	-	5,885	-	5,885	-
National S/L Section 4 All Lunches	10.555	071950	4,515	-	4,515	-	4,515	-
National S/L Section 4 All Lunches	10.555	081950	36,336	-	36,336	-	36,336	-
National S/L Section 11 Free & Reduced	10.555	071960	12,901	-	12,901	-	12,901	-
National S/L Section 11 Free & Reduced	10.555	081960	106,514	-	106,514	-	106,514	-
			160,266	-	160,266	-	160,266	-
Total Child Nutrition Cluster			166,151	-	166,151	-	166,151	-
Total U.S. Department of Agriculture			203,977	(12,307)	200,518	-	203,642	(9,183)
U.S. Department of Education								
Passed-through Michigan Department of Education:								
Title I, Part A	84.010	071530-0607	201,513	96,513	96,513	201,513	-	-
Title I, Part A	84.010	081530-0708	224,003	-	140,000	-	206,000	66,000
			425,516	96,513	236,513	201,513	206,000	66,000
Title V, Part A	84.298	070250-0607	528	528	528	528	-	-
Title V, Part A	84.298	080250-0708	528	-	528	-	528	-
			1,056	528	1,056	528	528	

(continued)

# HAMILTON COMMUNITY SCHOOLS

## Schedule of Expenditures of Federal Awards (Concluded)

For the Year Ended June 30, 2008

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass- through Grantor's Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2007	Current Year Cash Received	Expenditures		Accrued (Deferred) Revenue June 30, 2008
						(Memo Only) Prior Year(s)	Year Ended June 30, 2008	
U.S. Department of Education (Continued)								
Passed-through Michigan Department of Education (continued):								
Title II, Part D	84.318	074290-0607	\$ 2,069	\$ 2,069	\$ 2,069	\$ 2,069	\$ -	\$ -
Title II, Part D	84.318	084290-0708	2,094	-	-	-	2,094	2,094
			4,163	2,069	2,069	2,069	2,094	2,094
Title II, Part A	84.367	070520-0607	68,740	33,740	33,740	68,740	-	-
Title II, Part A	84.367	080520-0708	69,583	-	55,000	-	69,583	14,583
			138,323	33,740	88,740	68,740	69,583	14,583
Passed-through Ottawa Area Intermediate School District:								
IDEA PL 94-142 Flow Through	84.027	070450-0607	372,662	186,331	186,331	372,662	-	-
IDEA PL 94-142 Flow Through	84.027	080450-0708	401,692	-	200,846	-	401,692	200,846
			774,354	186,331	387,177	372,662	401,692	200,846
Preschool Grant	84.173	070460-0607	17,350	8,675	8,675	17,350	-	-
Preschool Grant	84.173	080460-0708	17,752	-	8,876	-	17,752	8,876
			35,102	8,675	17,551	17,350	17,752	8,876
Safe and Drug Free Schools	84.186	072860-0607	6,025	6,025	6,025	6,025	-	-
Safe and Drug Free Schools	84.186	082860-0708	6,330	-	6,330	-	6,330	-
			12,355	6,025	12,355	6,025	6,330	-
Passed-through Holland Public Schools:								
Title III, Part A	84.365		1,700	-	1,020	-	1,020	-
Total U.S. Department of Education			1,392,569	333,881	746,481	668,887	704,999	292,399
U.S. Department of Health and Human Services								
Passed-through Michigan Department of Education:								
Medicaid Outreach	93.778		4,410	-	4,410	-	4,410	-
Total Expenditures of Federal Awards			\$ 1,600,956	\$ 321,574	\$ 951,409	\$ 668,887	\$ 913,051	\$ 283,216

**HAMILTON COMMUNITY SCHOOLS  
SINGLE AUDIT REPORT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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**Basis of Accounting**

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met.

**Reconciliation of Basic Financial Statements**

Revenues from federal sources per the June 30, 2008 basic financial statements agree with federal expenditures from the June 30, 2008 Schedule of Expenditures of Federal Awards.

Management has utilized the Grants Section Auditors Report (Form R7120) and Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

**HAMILTON COMMUNITY SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

***Financial Statements***

Type of auditors’ report issued:

*Unqualified*

Internal controls over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes      x   no

Significant deficiency(ies) identified not  
considered to be material weaknesses?

  x   yes    \_\_\_\_\_ none reported

Noncompliance material to financial  
statements noted?

\_\_\_\_\_ yes      x   no

***Federal Awards***

Internal Control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ yes      x   no

Significant deficiency(ies) identified not  
considered to be material weaknesses?

\_\_\_\_\_ yes      x   none reported

Type of auditors’ report issued on compliance  
for major programs:

*Unqualified*

Any audit findings disclosed that are required to be  
reported in accordance with Circular A-133,  
Section 510(a)?

\_\_\_\_\_ yes      x   no

***Identification of Major Programs***

***CFDA Number(s)***

***Name of Federal Program or Cluster***

84.027 & 84.173

Special Education Cluster

Dollar threshold used to distinguish  
between Type A and Type B programs:

  \$ 300,000  

Auditee qualified as low risk auditee?

  x   yes    \_\_\_\_\_ no



# **HAMILTON COMMUNITY SCHOOLS**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)**

**FOR THE YEAR ENDED JUNE 30, 2008**

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### **SECTION II – FINCANIAL STATEMENT FINDINGS**

#### **Finding 2008-1 – General Journal Entry Approvals**

<b>Criteria:</b>	Management is responsible for establishing effective internal controls to safeguard the District's assets, and to prevent or detect misstatements to the financial statements. Journal entries, while an essential part of any accounting system, represent an opportunity to enter information into the District's records in a way that bypasses normal internal controls. Accordingly, the District should have a system in place to ensure that all journal entries and similar adjustments made to the District's accounting records are reviewed and approved by an appropriate member of management independent of the preparer.
<b>Condition:</b>	The District's policies and procedures in place during the fiscal year under audit did not require any independent review or approval of journal entries made by members of management.
<b>Cause:</b>	This condition is the result of management not initially recognizing the importance of establishing such controls.
<b>Effect:</b>	While we are not aware of any actual misstatements caused by this condition, the District was nevertheless exposed to an increased risk that misstatements, whether caused by error or fraud, could occur and not be detected or prevented.
<b>Recommendation:</b>	We recommend that all general journal entries be reviewed, initialed, and dated by a responsible individual other than the preparer.
<b>View of Responsible Officials:</b>	Management has established a procedure requiring non-automated (such as payroll) journal entries be approved by an employee independent from the preparer of such journal entries.

#### **Finding 2008-2 – Internal Controls over the Approval and Support for Recorded Transactions**

<b>Criteria:</b>	All transactions should be supported by appropriate supporting documentation and reviewed by an independent party for errors or fraud.
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# HAMILTON COMMUNITY SCHOOLS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2008

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### SECTION II – FINANCIAL STATEMENT FINDINGS (CONCLUDED)

#### Finding 2008-2 – Internal Controls over the Approval and Support for Recorded Transactions (Concluded)

<b>Condition:</b>	During our audit, we became aware of several control deficiencies which, while individually insignificant, collectively comprise a significant deficiency in the District's internal controls over the approval and support of recorded transactions, as follows: (1) cash disbursements are processed, printed, and mailed by a single individual without independent review and approval. While individual check requests are approved in advance, there is no mechanism in place to ensure that each check run includes only approved transactions (such as a review of a preliminary check register prior to releasing checks); (2) incoming deposits are logged and deposited by separate individuals, however, the District does not retain any record evidencing that the daily deposit logs were agreed to the bank deposits; (3) invoices supporting disbursements made from the Middle School and High School agency fund are not signed by the administrator approving payment. While such documentation is reviewed at the time checks are signed, the schools are not retaining any written evidence of this review.
<b>Cause:</b>	This condition is the result of management not initially recognizing the importance of establishing such controls.
<b>Effect:</b>	While we are not aware of any actual misstatements caused by this condition, the District was nevertheless exposed to an increased risk that misstatements, whether caused by error or fraud, could occur and not be detected or prevented.
<b>Recommendation:</b>	We recommend that all transactions be supported by appropriate documentation which is reviewed, initialed, and dated by a responsible individual other than the preparer.
<b>View of Responsible Officials:</b>	Check registers and payroll registers will be reviewed and initialed by the Business Manager. Incoming deposits will be reconciled to bank statements and will include the initials and date of the reconciler. The District will continue to phase out the "voucher approval" and move to "original invoice approval" in the Activity Funds to maintain approved supporting documentation.

### SECTION III – FEDERAL AWARDS FINDINGS

None

### SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS

#### Finding 2007-1

<b>Condition:</b>	Bank reconciliations are prepared by individuals connected with cash receipts/disbursements and/or general ledger maintenance, and not reviewed by an individual other than the preparer.
<b>Status:</b>	Non-compatible duties have been segregated; however, the District is continuing to resolve the issue of independent review.



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

October 2, 2008

To the Board of Education  
Hamilton Community Schools

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *Hamilton Community Schools* (the "District") for the year ended June 30, 2008, and have issued our report thereon dated October 2, 2008. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133**

As stated in our engagement letter dated July 18, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the District's compliance with those requirements.



### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and our meeting about planning matters on July 21, 2008.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

We evaluated the key factors assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statements may be affected by unusual transactions, including nonrecurring transactions. The following significant unusual accounting transactions occurred during the year:

- During 2008, significant amounts of the District's 1998 School Building and Site Refunding Bonds were in-substance defeased through the issuance of advance refunding bonds. In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, the difference between the amount placed in escrow to repay the refunded bonds and the carrying amount of the refunded bonds is being deferred and amortized as a component of interest expense over the remaining life of the refunded bonds.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 2, 2008.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the governing body and management of the *Hamilton Community Schools* and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

# **Hamilton Community Schools**

## **Comments and Recommendations**

**For the Year Ended June 30, 2008**

---

In planning and performing our audit of the financial statements of the Hamilton Community Schools as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. The deficiencies we noted that we consider to be significant deficiencies are described in the Schedule of Findings and Questioned Costs in the District's Single Audit report.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

### **Other Matters**

#### ***Review and Approval of Bank Reconciliations***

During our audit, we noted that bank reconciliations are not reviewed by an individual other than the preparer. As a result, there exists the possibility that the District's cash could be misappropriated or misstated and not detected in a timely manner. While we found no evidence of any such misappropriations or misstatements during our audit, we nevertheless recommend that all bank reconciliations be reviewed, initialed, and dated by a responsible individual other than the preparer.

#### ***Cash Receipts - Athletics***

During our audit we noted that there is little financial oversight with regards to the sale of athletic tickets. We recommend that the District keep a register of the number and type of tickets sold during each event which should be submitted and reconciled to the cash receipts with the deposit.

\* \* \* \* \*



## HAMILTON COMMUNITY SCHOOLS

**SCOTT KORPAK, Ed.D.**  
*Superintendent*

4815 136th Avenue • Hamilton, MI 49419  
Telephone: (269) 751-5148 • Fax: (269) 751-7116

**STEVEN D. AARDEMA**  
*Asst. Sup. of Business*

October 2, 2008

Rehmann Robson  
2330 East Paris Ave.  
Grand Rapids, MI 49546

We are providing this letter in connection with your audit of the financial statements of Hamilton Community Schools as of June 30, 2008 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Hamilton Community Schools and the respective changes in financial position and, where applicable, cash flows thereof in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of October 2, 2008, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We have made available to you all—
  - a. Financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
  - b. Minutes of the meetings of Board of Education or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal awards.



5. We are in agreement with the adjusting journal entries you have proposed, and they have been posted. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
6. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
  - a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
8. We have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that you have reported to us.
9. We have a process to track the status of audit findings and recommendations.
10. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective actions taken to address significant findings and recommendations.
11. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
12. The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
13. The following, if any, have been properly recorded or disclosed in the financial statements:
  - a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and affiliated governmental units that are not included in the financial statements as part of the reporting entity.
  - b. Guarantees, whether written or oral, under which the District is contingently liable.
  - c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances, consistently applied, and adequately disclosed.

14. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
15. There are no—
  - a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
  - b. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with Financial Accounting Standards Board (FASB) Statement No. 5 or which would affect federal award programs, and we have not consulted a lawyer concerning litigation, claims, or assessments.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.
  - d. Reservations or designation of fund equity that were not properly authorized and approved.
16. As part of your audit, you prepared the draft financial statements and related notes and schedule of expenditures of federal awards. We have designated a competent management-level individual to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards. We understand that as part of your audit, you prepared the adjusting journal entries necessary to convert our cash basis records to the accrual basis of accounting and acknowledge that we have reviewed and approved those entries.
17. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
18. The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
19. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
20. The financial statements properly classify all funds and activities.

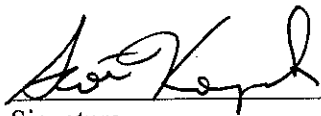
21. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
22. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
23. Provisions for uncollectible receivables have been properly identified and recorded.
24. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
25. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
26. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
27. Deposits and investment securities are properly classified as to risk, and investments are properly valued.
28. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
29. The government meets the GASB-established requirements for accounting for eligible infrastructure assets using the modified approach.
30. Required supplementary information (RSI) is measured and presented within prescribed guidelines.
31. With respect to federal award programs:
  - a. We are responsible for complying and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
  - b. We have, in accordance with OMB Circular A-133, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
  - c. We are responsible for complying with, and have complied with in all material respects, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.

- d. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in internal control over compliance or other factors to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to significant deficiencies (including material weaknesses) reported in the schedule of findings and questioned costs.
- e. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to major federal programs.
- f. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- g. We have complied, in all material respects, with the compliance requirements, including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including those resulting from other audits or program reviews.
- h. Amounts claimed or used for matching were determined in accordance with relevant guidelines in *OMB Circular A-87, Cost Principles for State, Local, and Tribal Governments*, and *OMB's Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- i. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- j. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- k. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- l. We have charged costs to federal awards in accordance with applicable cost principles.
- m. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- n. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by *OMB Circular A-133* and we have provided you with all information on the status of the follow-up on prior audit

findings by federal awarding agencies and pass-through entities, including all management decisions.

- o. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133, and we are responsible for preparing and implementing a corrective action plan for each audit finding.


No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.



Signature

Superintendent

Title



Signature

Business Manager

Title